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C O N F I D E N T I A L

MOTION PICTURE THEATRES ASSOCIATION OF ONTARIO

Submission To

THE ONTARIO COMMITTEE ON TAXATION

This submission is made on behalf of the Motion Picture Theatres Association of Ontario which includes 280 of the approximate 419 motion picture theatres in Ontario.

The profitability of this industry has in the last 10 years declined catastrophically, primarily because of the advent of television. The major impact of television became evident when the Canadian Broadcasting Corporation established and provided entertainment, including motion pictures, free of charge and free of tax to the owners of millions of television sets.

HOSPITALS TAX ACT.

When the Hospitals Tax Act of Ontario was passed for the purpose of raising revenue by an "amusement tax" its incidence on all forms of amusement might be said to have imposed an even burden and that it was equitable in its application. However, the introduction of television had varying effects on the different forms of amusement that were subject to the amusement tax. As an example of this, the profits of professional hockey and professional football in Ontario have continued to ascend at an accelerating rate. The advent of television has increased the profitability of these industries. The opposite has been the case with respect to the Motion Picture Industry.

Notwithstanding the tremendous decline in the profitability of the Motion Picture Industry the amusement tax has been continued, subject only to occasional minor reductions. Although its burden has been disproportionate to certain branches of the entertainment industry, the imposition of this tax is evidence of what has often been said, that once a tax is imposed it is very difficult to have it removed, as the taxing authority is reluctant to forego the revenue which it produces, although such revenue is derived from a tax which is no longer equitable.

At the inception the imposition of an amusement tax seemed to be a reasonable source of revenue having regard to the fact that it was an easy tax to collect and because it then represented a substantial item in the Provincial Budget. This situation, however, has been drastically changed in respect of its imposition on the motion picture theatre industry and the total tax is no longer of any significance in the total budget. It is to be noted that the Provincial Government does not tax television as a form of entertainment. Despite this situation the Provincial Government has continued to tax the Motion Picture Industry which was drastically affected by the introduction of that new source of entertainment.

This Association asks for the elimination of the amusement tax on all motion picture theatre admissions. This tax has already been eliminated in Alberta in 1959 and in British Columbia in 1963. In support of this submission

are attached the following schedules.

(1) Schedule A indicates the revenues, taxes and profitability of Ontario theatres operated by Famous Players Canadian Corporation Limited, The Odeon Theatres (Canada) Limited and Twinex Century Theatres Corporation Limited for the twelve months ended December 28th, 1963. These figures are used as they are readily available and because the Famous Players, Odeon and Twinex group represent a substantial portion of the business done by all theatres in the Province of Ontario. This schedule demonstrates that the 1963 net earnings after operating expenses, provincial and municipal taxes and licences, and after interest, depreciation, hospital tax and income tax and interest expenses amounted to only 3.0% on a total depreciated investment of $14,361,000.

(2) Schedule B indicates the violent reduction in attendance at the 96 Ontario Famous Players and Odeon theatres which have operated continuously during the years 1952 to 1963 inclusive. These figures for Famous Players and Odeon theatres which are indicative of the situation in relation to all motion picture theatres in Ontario show a percentage reduction in attendance of 52.39%.

(3) Schedule C indicates the decline in the number of theatres, paid admissions, receipts excluding amusement tax, amusement tax, per capita expenditure and annual payroll for all of the motion picture theatres in the Province of Ontario from 1952 to 1962 inclusive.

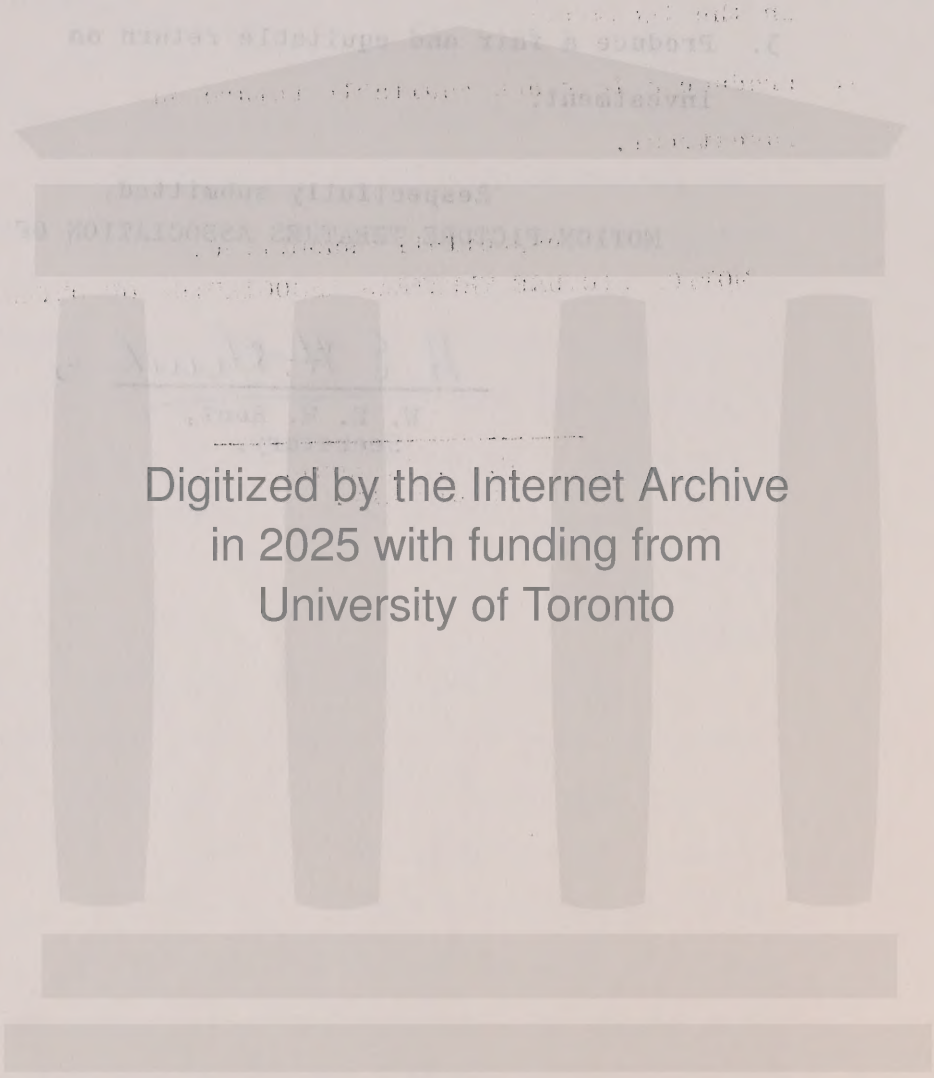
1. Stimulate capital investment in the modernization of existing theatres and the building of new theatres in the rapidly expanding suburban areas;

2. Create new jobs and increase employment in the industry;

3. Produce a fair and equitable return on investment.

Respectfully submitted,
MOTION PICTURE THEATRES ASSOCIATION OF ONTARIO

W. E. H. Hunt,
Secretary.



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SCHEDULE "A"

SCHEDULE OF PROFITS, TAXES AND PROFITABILITY

ONTARIO THEATRES OPERATED BY FAMOUS PLAYERS, ODEON AND TWINEX

FOR THE 12 MONTHS ENDED DECEMBER 28, 1963

Gross Revenue		$24,156,000
Less: Hospitals Tax		1,578,600
Gross Revenue after deducting Hospitals Tax		$22,577,400
Less: Operating expenses-excluding Real Estate and Business Taxes and Licenses		18,909,400
		$ 3,668,000
Less: Realty and Business Taxes and Licenses		1,118,700
		$ 2,549,300
Less: Interest	$185,400	
Depreciation	945,700	1,131,100
Net Profit before Income Tax		$ 1,418,200
Less: Income Tax at 52%		737,500
Net Profit after Tax		$ 680,700
Investment - Net Book Value		$14,361,100
Return on Investment		4.7%
Percentage of Gross Revenue after Hospitals Tax retained as Net Profit		3.0%

If Hospitals Tax was eliminated, the Net Profit after paying Film Rental and Income Tax would increase by $454,600 to $1,135,300 and would increase the % of Gross Revenue retained from 3.0% to 4.7% and increase the Return on Investment from 4.7% to 7.9%

SCHEDULE "B"

COMPARISON OF ATTENDANCE
96 ONTARIO F.P.C.C. AND ODEON THEATRES
WHICH HAVE OPERATED CONTINUOUSLY DURING YEARS
1952 to 1963 INCLUSIVE

YEAR	ATTENDANCE	PERCENTAGE DECREASE
1952	36,180,836	
1954	31,397,313	13.22%
1956	24,507,244	21.94%
1958	21,829,194	10.93%
1960	18,393,333	15.74%
1962	17,053,365	7.28%
1963	17,225,619	(1.01%)

Percentage Decrease 1952 to 1963 inclusive 52.39%

SCHEDULE "C"

DOMINION BUREAU OF STATISTICS DATA
OF MOTION PICTURE THEATRE OPERATIONS
PROVINCE OF ONTARIO - 1952 AND 1962.

	Year 1952	Year 1962	Decrease	Percentage Decrease
Number of Theatres	593	419	174	29.34%
Number of Paid Admissions	104,085,329	39,097,491	64,987,838	62.44%
Receipts - Excluding Amusement Tax	$42,692,161	$27,054,727	$15,637,434	36.63%
Amusement Tax	$ 5,003,794	$ 2,019,798	$ 2,983,996	59.63%
Per Capita Expenditure	$ 10.06	$ 4.58	$ 5.48	54.47%
Annual Payroll	$ 8,570,041	$ 7,194,723	$ 1,375,318	16.05%